

## Message Text

CONFIDENTIAL

PAGE 01 BONN 12730 01 OF 02 131217Z

47

ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-11 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 IO-14 ACDA-19 EB-11 CIEP-03 COME-00 FRB-03

OMB-01 TRSE-00 SAJ-01 DRC-01 /154 W

----- 053267

R 131118Z AUG 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC 4371

INFO USMISSION BERLIN

USMISSION EC BRUSSELS

USMISSION NATO BRUSSELS

C O N F I D E N T I A L SECTION 01 OF 02 BONN 12730

E.O. 11652: GDS

TAGS: ETRD, EFIN, GW, GE

SUBJECT: GDR WARNS FRG AGAINST REDUCTIONS IN SWING  
CREDIT

1. THE LEADING WEST GERMAN NEWSPAPERS GAVE FRONT-PAGE  
COVERAGE ON AUGUST 12 TO AN EAST GERMAN NEWS AGENCY  
(ADN) REPORT THAT THE GDR WOULD VIEW AN ELIMINATION  
OF THE INNER-GERMAN TRADE "SWING" CREDIT AS A  
VIOLATION OF THE TREATY ON THE BASIS OF RELATIONS  
BETWEEN THE FRG AND THE GDR. THE ADN REPORT CITED  
ARTICLES IN THE WEST GERMAN PRESS WHICH GAVE THE  
IMPRESSION THAT THE FRG MIGHT ELIMINATE THE SWING  
UNLESS THE GDR AGREED TO CERTAIN UNMENTIONED DEMANDS.  
ADN THEN GOES ONTO QUOTE "RESPONSIBLE GDR CIRCLES"  
TO THE EFFECT THAT SUCH A STEP WOULD HAVE  
"CONSEQUENCES".

2. OUR FRG ECONOMICS MINISTRY CONTACTS ARE NOT SURE  
HOW TO ASSESS THIS MOVE BY THE GDR TO PUT PUBLIC  
PRESSURE ON THE FRG ON THE QUESTION OF THE SWING  
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BONN 12730 01 OF 02 131217Z

CREDIT. THERE HAVE BEEN A FEW ARTICLES IN RECENT

WEEKS ON THE SUBJECT BUT NONE THEY CONSIDER PROVOCATORY. THEY SPECULATE THAT THE GDR MAY WISH TO PROD THE FRG INTO EARLY NEGOTIATIONS ON THE SWING SO THAT THE FINAL FIGURE CAN BE WORKED INTO THE 1976 ECONOMIC PLAN. IN ANY CASE, THE FRG PLANS TO RESPOND BY HAVING THE HEAD OF THE INNER-GERMAN TRADE OFFICE (TREUHANDSTELLE) IN BERLIN ISSUE A LOW KEY STATEMENT DRAWING ATTENTION TO THE DISTINCTION BETWEEN THE COMMITMENT UNDER THE 1951 AGREEMENT FOR A SWING AT THE LEVEL OF DM 200 MILLION ANNUALLY AND THE NEWER MORE DYNAMIC SWING CURRENTLY AT A LEVEL OF DM 660 MILLION (AGREED TO IN 1968) IN AN ARRANGEMENT WHICH EXPIRES AT THE END OF 1975. THE GDR CRITICISM CONVENIENTLY BLURS THIS DISTINCTION. GOVERNMENT SPOKESMAN GRUENWALD STATED ON AUGUST 12 THAT THE GOVERNMENT WAS STUDYING ALL ASPECTS OF THE PROBLEM AND THAT NO DECISION HAD BEEN PLANNED FOR AUGUST IN ANY EVENT.

3. OUR CONTACTS FEAR THAT IF THIS ISSUE REMAINS FRONT-PAGE NEWS, IT WILL ONLY SERVE TO HARDEN BOTH SIDES INTO POSITIONS WHICH WOULD MAKE AGREEMENT MORE DIFFICULT. THEY HOPE THAT THE PRESS FLURRY WILL DIE DOWN AND THAT DISCUSSIONS CAN BE CARRIED OUT AT THE TECHNICAL LEVEL AFTER THE LEIPZIG FAIR THE FIRST WEEK IN SEPTEMBER. OUR SOURCES ARE CONFIDENT THAT THE GDR IS WILLING TO MAKE SOME ECONOMIC CONCESSIONS (E.G. AUTOBAHN IMPROVEMENTS, ELECTRICITY FOR BERLIN) IN ORDER TO CONTINUE THE DYNAMIC SWING AGREEMENT. THEY POINT OUT THAT ECONOMICS MINISTRY STATE SECRETARY ROHWEDDER HAD MADE THE NECESSITY FOR SUCH CONCESSIONS ABSOLUTELY CLEAR DURING THE SPRING LEIPZIG FAIR AND THAT THE EAST GERMANS HAD AGREED IN PRINCIPLE.

4. AT THIS POINT, THE FRG HAS NOT YET DECIDED WHAT

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 BONN 12730 02 OF 02 131216Z

47

ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-11 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 IO-14 ACDA-19 EB-11 CIEP-03 COME-00 FRB-03

OMB-01 TRSE-00 SAJ-01 DRC-01 /154 W

----- 053265

R 131118Z AUG 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC 4372

INFO USMISSION BERLIN

USMISSION EC BRUSSELS

USMISSION NATO BRUSSELS

C O N F I D E N T I A L SECTION 02 OF 02 BONN 12730

ITS MINIMUM DEMANDS ARE IN RETURN FOR EXTENSION OF THE DYNAMIC SWING. IT HAS LONG BEEN RECOGNIZED THAT THE ECONOMIC BENEFITS TO THE FRG ARE MODEST AND THAT THE PRINCIPAL CONSIDERATIONS IN THE DECISION WHICH WILL HAVE TO BE MADE AT THE CABINET LEVEL ARE POLITICAL. ONE CONSIDERATION WILL BE THE CONTINUED DESIRE OF THE BUNDESBANK TO PLACE RESPONSIBILITY FOR FINANCING THE SWING ONTO THE BUDGET OF ONE SPECIFIC MINISTRY OR ANOTHER.

5. EMBASSY COMMENT: WHILE HE IS ON VACATION, CHANCELLOR SCHMIDT IS REVIEWING THE WHOLE RANGE OF FRG/GDR RELATIONS INCLUDING THE COSTS AND BENEFITS OF VARIOUS ALTERNATIVE ACTIONS REGARDING THE SWING. THIS RECENT GDR STATEMENT MAY HAVE BEEN DESIGNED IN PART TO PERSUADE SCHMIDT THAT THE POLITICAL COSTS OF LOWERING THE SWING MAY BE SUBSTANTIAL. ON THE OTHER HAND, WE HAVE THE IMPRESSION THAT THE GDR MAY BE GETTING ANXIOUS AND THIS MAY, IN FACT, GIVE FRG  
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BONN 12730 02 OF 02 131216Z

A BIT MORE LEVERAGE. AS HAS BEEN THE CASE IN THE PAST, THE LEIPZIG FAIR WILL PROVIDE THE VENUE FOR HIGH LEVEL DISCUSSIONS OF THIS ISSUE.  
HILLENBRAND

CONFIDENTIAL

NNN



## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PRESS COMMENTS, FOREIGN RELATIONS, TRADE, CREDIT PROGRAMS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 13 AUG 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** golinofr  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974BONN12730  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D740221-0922  
**From:** BONN  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1974/newtext/t19740853/aaaabtfs.tel  
**Line Count:** 161  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EUR  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:**  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** golinofr  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 02 APR 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <02 APR 2002 by shawdg>; APPROVED <26 JUN 2002 by golinofr>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** GDR WARNS FRG AGAINST REDUCTIONS IN SWING CREDIT  
**TAGS:** ETRD, EFIN, GE, GC  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005